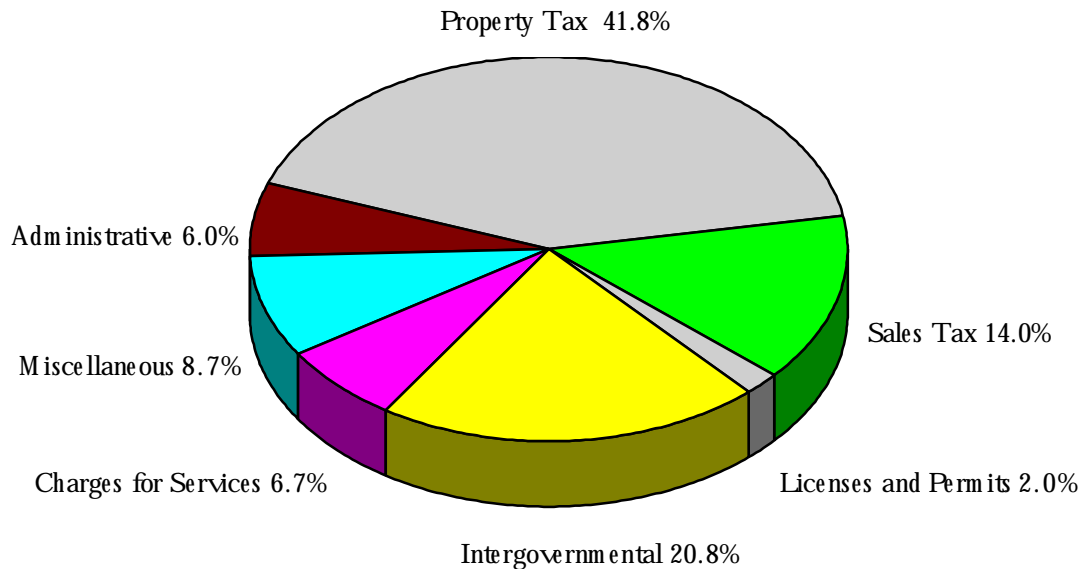


# FY 1998-99 GENERAL FUND

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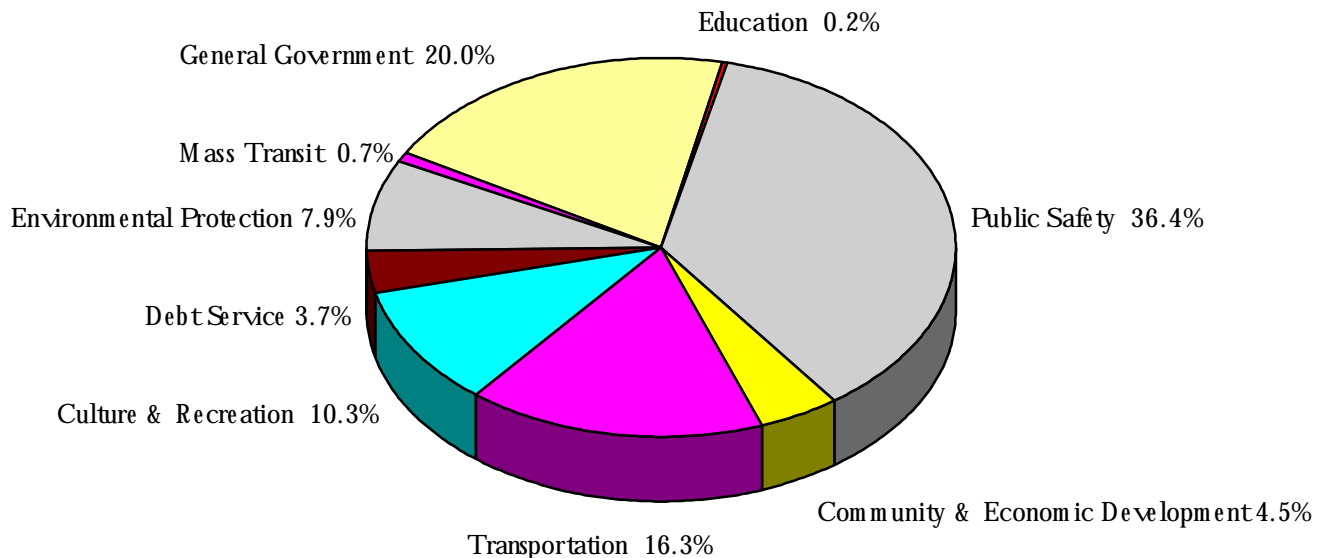
## Revenues - \$21,346,852



## *Where the Money Comes From*

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## Expenditures - \$21,346,852



## *Where the Money Goes To*

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*Includes General Fund and General Fund Capital Reserve Fund Less Interfund Transfers*

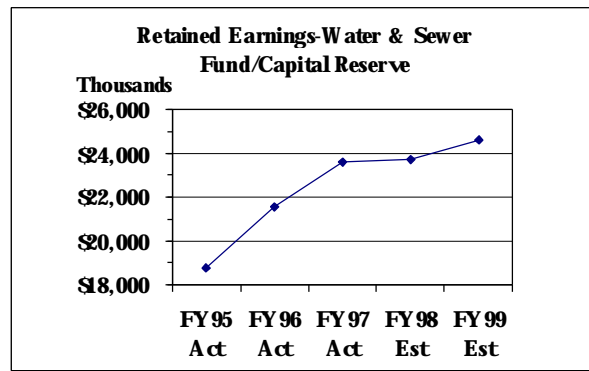
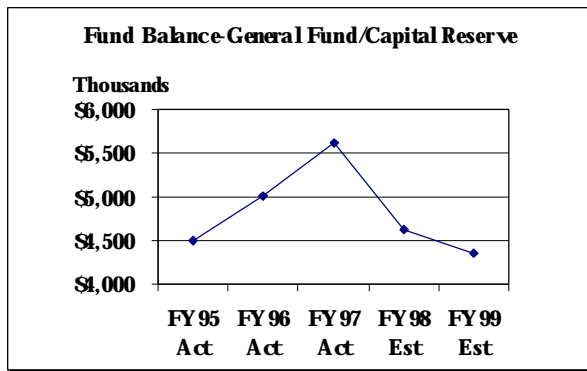
**CITY OF SALISBURY, NORTH CAROLINA**  
**BUDGET SUMMARY**  
**For the Year Ending June 30, 1999**

	General/Special Revenue Funds			Enterprise Funds			Total
	General Fund	General Fund Capital Reserve	Entitlement Fund	Water/Sewer	Water/Sewer Capital Reserve	Transit	
Estimated Fund Balance/ Retained Earnings 6/30/98	\$ 4,000,000	\$ 620,000	\$ -	\$ 23,400,000	\$ 345,000	\$ (1,190,449)	\$ 27,174,551
Budgeted Revenues & Other Financing Sources:							
Taxes	\$ 11,892,079	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,892,079
Licenses and Permits	438,504	-	-	-	-	-	438,504
Intergovernmental	4,435,957	-	410,000	-	-	192,476	5,038,433
Charges for Services	1,434,791	-	-	13,114,033	15,000	86,900	14,650,724
Miscellaneous	1,542,425	28,091	125,950	592,799	-	10,200	2,299,465
Administrative	1,299,875	-	-	-	-	-	1,299,875
Transfers From Other Funds	-	906,880	-	-	245,920	160,282	1,313,082
Total Available Resources	\$ 21,043,631	\$ 934,971	\$ 535,950	\$ 13,706,832	\$ 260,920	\$ 449,858	\$ 36,932,162
Expenditures:							
General Government	\$ 4,101,293	\$ 173,901	\$ -	\$ -	\$ -	\$ -	\$ 4,275,194
Public Safety	7,606,428	169,400	-	-	-	-	7,775,828
Transportation	3,019,852	450,400	-	-	-	-	3,470,252
Environmental Protection	1,495,205	191,800	-	-	-	-	1,687,005
Culture and Recreation	1,980,433	210,000	-	-	-	-	2,190,433
Community & Economic Development	947,454	14,600	535,950	-	-	-	1,498,004
Education	42,342	-	-	-	-	-	42,342
Water & Sewer	-	-	-	9,897,113	246,300	-	10,143,413
Mass Transit	-	-	-	-	-	449,858	449,858
Debt Service:							
Principal	533,126	-	-	1,884,305	-	-	2,417,431
Interest	250,336	-	-	1,679,494	-	-	1,929,830
Transfers to other funds	1,067,162	-	-	245,920	-	-	1,313,082
Total Expenditures	\$ 21,043,631	\$ 1,210,101	\$ 535,950	\$ 13,706,832	\$ 246,300	\$ 449,858	\$ 37,192,672
Budgeted Increase (Decrease)							
in Fund Balance	\$ -	\$ (275,130)	\$ -	\$ -	\$ 14,620	\$ -	\$ (260,510)
Full Accrual Adjustments: <sup>1</sup>							
Budgeted Capital Outlay	-	-	-	759,000	246,300	(16,974)	988,326
Budgeted Contributed Capital	-	-	-	-	-	16,974	16,974
Budgeted Debt Principal	-	-	-	1,685,506	-	-	1,685,506
Estimated Depreciation	-	-	-	(1,830,000)	-	(87,000)	(1,917,000)
Estimated Fund Balance/ Retained Earnings 6/30/99	\$ 4,000,000	\$ 344,870	\$ -	\$ 24,014,506	\$ 605,920	\$ (1,277,449)	\$ 27,687,847

<sup>1</sup> See explanation on page 2-4

As of June 30, 1998, the City estimates an undesignated and unreserved General Fund balance of \$2,200,000. This balance is 10.2% of the General Fund operating budget, which is in excess of the 10% required by the City's Reserve Policy as explained on page 2-4 of this document.

The deficit fund balance in Mass Transit is due to the City not funding depreciation. Mass Transit is funded on a cash basis instead of full accrual.



In FY1997-98, fund balance for General Fund decreased due to capital projects carryforwards. As shown in section 4 of the Budget Ordinance on page 13-3, unearned portions of contracts at the end of a fiscal year will be added to the applicable appropriation in the following fiscal year. This appropriation reduces fund balance.

### SUMMARY OF INTERFUND TRANSFERS For the Year Ending June 30, 1999

		TO			
	FUND	General Fund Capital Reserve	Water & Sewer Capital Reserve	Transit	TOTAL OUT
FROM	General	\$ 906,880	-	\$ 160,282	\$ 1,067,162
	Water & Sewer	-	\$ 245,920	-	245,920
	TOTAL IN	\$ 906,880	\$ 245,920	\$ 160,282	\$ 1,313,082

### GENERAL FUND REVENUE STRUCTURE

The City's General Fund has five major sources of revenues: taxes, licenses and permits, intergovernmental revenue, charges for services, administrative revenue, and miscellaneous revenue. Taxes are composed of property, sales, and dog taxes. Licenses and permits are composed of privilege licenses and cable television franchise fees. Intergovernmental revenues are composed of grants, state-shared revenues, and reimbursements. Charges for services are composed of user fees and reimbursed charges. Administrative revenue represents the Water and Sewer Fund contribution to the operations of the General Fund. Miscellaneous revenues are composed of interest revenue, sales, and revenues not allocated elsewhere.

It would appear that with these various revenue sources, the generation of revenue to meet service level expenditure requirements would be a simple task. This, however, is not the case.

Revenues available to finance our local government can be characterized as either "elastic" or "inelastic." Elastic revenues are highly responsive to changes in the economic base and inflation. As the economic base expands or inflation goes up, elastic revenues rise in roughly proportional or greater amounts. Likewise, they go down during times of deflation and recession. For example, sales tax revenue, though the tax rate remains the same, increases during better economic periods due to the increase in retail business and declines during poor times. Yields from inelastic revenue sources, such as user fees and charges, are somewhat unresponsive to changes in economic conditions and require that government officials change fees and charges to obtain a change in revenue.

Most City revenue sources are inelastic. Two of the few remaining elastic revenues the City has are sales tax revenue and privilege licenses.

Several revenue types such as Powell Bill, intangibles taxes, sales taxes, and 80% retailers' and wholesalers' inventory reimbursement are distributed within Rowan County based on either population or tax levy. As Rowan County has raised their tax levy over the past several years, our percentage of those revenues based on tax levy has decreased. Additionally, increased population in Rowan County and other County municipalities has decreased Salisbury's share of those revenues based on populations. Without the annexations or other major growth within the City limits, the City will continue to receive a smaller share of the total revenue pool each year.

City revenues also face another limitation; the State tampering with state-shared revenues and reimbursements. During the past seven years, the State has eliminated property tax on retail, wholesale, and manufacturers' inventories. They then placed a cap on income to municipalities from intangible taxes, utility franchise taxes, and inventory reimbursements. This cap on utility franchise taxes expired in FY1994-95; however, growth has been minimal without annexation. Intangible taxes has been repealed by the General Assembly and replaced with an annual appropriation. Both the intangible tax and inventory reimbursements are subject annually to the whims of the General Assembly for funding.

The City directly controls only property taxes, user fees and charges, privilege licenses, and the Water and Sewer Fund contribution. These four revenues are the only ones that City Council can increase or decrease at will. During FY1997-98, these four sources in the General Fund accounted for 54% of the total revenue. The City lacks control over all other revenues.

Property taxes may be adjusted in two ways. The tax rate can be either changed, and/or the assessed value of the property can be raised or lowered. Each year, City Council sets the property tax rate as part of adopting the annual budget ordinance.

User fees and charges for some services have been established to reimburse the City for all or part of the cost for that service. City Council has absolute control over both services for which to levy a fee and the amount of the fee.

Privilege licenses are controlled both by the State and City Council. A city may levy a privilege license on certain types of businesses and professions as established by State Statutes. The State also sets a maximum rate for some businesses and professions. Most businesses, however, do not have a maximum license rate or amount. City Council has the authority to set a license rate and/or amount for these businesses.

Administrative revenue is the Water and Sewer Fund's contribution to the operations of the General Fund. It represents the Water and Sewer Fund's share of expenses incurred in the General Fund for such things as water and sewer billing, financial administration, fleet management, purchasing, personnel administration, legal, and general management services. The funding of the contribution is a component of the water and sewer rates set by City Council and should not exceed the actual costs incurred in the General Fund for the Water and Sewer Fund's operations.

In summary, most City revenues can be characterized as inelastic with no City control. The City controls only property taxes, user fees and charges, privilege licenses, and administrative revenue.

## **REVENUE ASSUMPTIONS FOR FY1998-99**

### **General Fund Revenue**

#### **Taxes:**

**Property Taxes** - Real property is estimated to increase by 2.75%, personal property by 5%, and public service property 3% over the 1997 assessed values. This estimated growth for real property and public service property is based on historical trend analysis combined with new construction

estimates. The projected growth in personal property is based on historical trend analysis. A 3.4% uncollectible rate was used.

**Prior Year Property Taxes** - Based on historical trends adjusted by the size of the 1997 property tax receivable balance projected as of June 30, 1998.

**Interest on Delinquent Taxes** - Based on historical trends.

**Local Option Sales Tax** - Based on estimates provided by the North Carolina League of Municipalities and last year's sales data.

**Other Taxes** - Based on historical trends.

#### **Licenses and Permits:**

**Privilege Licenses** - Based on a projection of all currently licensed business in Salisbury at the current license rates.

**Franchises** - Based on historical trends for receipts from the cable television company (see graph on page 1-8).

#### **Intergovernmental:**

**Federal** - Based on anticipated and existing grants. The City will receive a grant to help to design a replacement bridge.

**State** - Based on FY1997-98 state shared receipts plus anticipated state grants. As mentioned in the previous section, the City receives funding from the State for intangible taxes, utility franchise taxes, and inventory reimbursements. The City also receives funding for street maintenance through the Powell Bill Fund, which is allocated based on population and city-maintained street mileage. No new major grants from the State are anticipated.

**Local** - Based on historical trends and anticipated grants (see graph on page 1-8).

#### **Charges for Services:**

**Supportive Court Services** - Based on historical trends.

**Community Services** - Based on historical trends for fees relating to development and zoning.

**Environmental Protection** - Based primarily on existing user charges for recycling and landfill tipping fees and a new fee for waste collection cost.

**Culture and Recreation** - Based on projected activities, participation, and fee levels.

**Public Safety** - Based on historical trends (see graph on page 1-8).

#### **Miscellaneous:**

**Interest Earned on Investments** - Based on estimated cash balances during FY1998-99 and estimated interest rates.

**Insurance Proceeds** - Based on historical trends.

**Rentals and Sale of Property** - Based on historical trends (see graph on page 1-9).

**Other** - Based on historical trends (see graph on page 1-9) and estimated revenue from annexation based on a favorable ruling from the appeal of a lawsuit filed by a group of citizens.

#### **Administrative:**

**Interfund Revenues** - Based on estimated expenditures for services provided by General Fund departments that are reimbursed by the Water and Sewer Fund. These expenditures are a sum of the estimated percentage of time each General Fund department expends on behalf of the Water and Sewer Utility times the departmental budget. This transfer amount is calculated annually.

### **General Fund Capital Reserve Fund Revenue**

#### **Miscellaneous:**

**Interest Earned on Investments** - Based on estimated cash balances during FY1998-99 and estimated interest rates.

**Other** - Based on historical trends.

#### **Other Financing Sources:**

**Operating Transfer from General Fund** - Funding based on vehicle and computer replacement schedules that the General Fund will place in reserve for future vehicle and computer purchases.

#### **Water and Sewer Fund Revenue**

##### **Operating Revenues:**

**Charges for Services** - Based on estimates using historical volumes, trends, and revised rates based on a comprehensive rate review completed in March 1998.

##### **Nonoperating Revenues:**

**Interest Earned on Investments** - Based on estimated cash balances during FY1998-99 and estimated interest rates.

**Miscellaneous Revenues** - Based on historical trends.

#### **Water and Sewer Capital Reserve Fund Revenue**

##### **Miscellaneous:**

**Interest Earned on Investments** - Based on estimated cash balances during FY1998-99 and estimated interest rates.

##### **Other Financing Sources:**

**Operating Transfer from Water and Sewer Fund** - Funding based on vehicle and computer replacement schedules that the Water and Sewer Fund will place in reserve for future vehicle and computer purchases.

#### **Transit Fund Revenue**

##### **Operating Revenues:**

**Charges for Services** - Based on estimates using historical ridership and trends.

##### **Nonoperating Revenues:**

**Intergovernmental** - Based on estimates provided by the State of North Carolina.

**Miscellaneous Revenues** - Based on historical trends.

##### **Other Financing Sources:**

**Contributed Capital** - The amount of funds to be provided for purchase of capital items.

**Operating Transfer from General Fund** - The amount of subsidy that the General Fund will provide the Transit Fund during FY1998-99.

#### **Entitlement (HUD) Fund Revenue**

##### **Intergovernmental:**

**Federal** - Based on an estimate provided by the U.S. Department of Housing and Urban Development.

##### **Miscellaneous:**

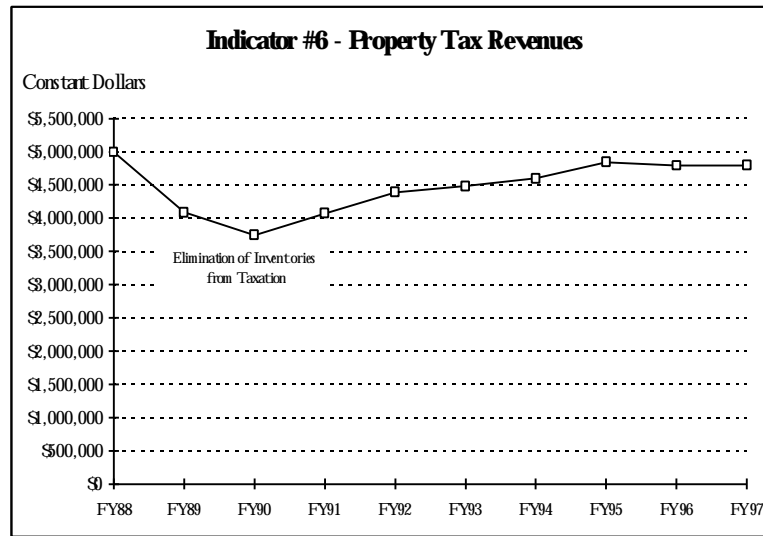
**Interest Earned on Investments** - Based on estimated cash balances during FY1998-99 and estimated interest rates.

**Other** - Based on historical trends.

#### **TREND MONITORING**

As noted previously, many revenues are budgeted based on historical trends. Trend monitoring is an essential element in the budgeting process for the City of Salisbury. Revenue information by line item is available for the current fiscal year along with actual revenues for the past two fiscal years. This information is then evaluated based on past trends in conjunction with current estimates.

At the end of each fiscal year, trend information is gathered by using Financial Trend Monitoring System, which allows the City to monitor its financial condition. The Financial Trend Monitoring System is based on financial, organizational, and environmental factors that influence financial condition. The factors are translated into indicators, which then are converted into graphs. Each graph has a warning sign that can necessitate appropriate action from the City. Below is an example of a trend the City monitors. As shown, the City has experienced a fluctuation in property tax revenues in the past few years. The negative impact resulting from the State eliminating inventories from taxation is graphically represented.

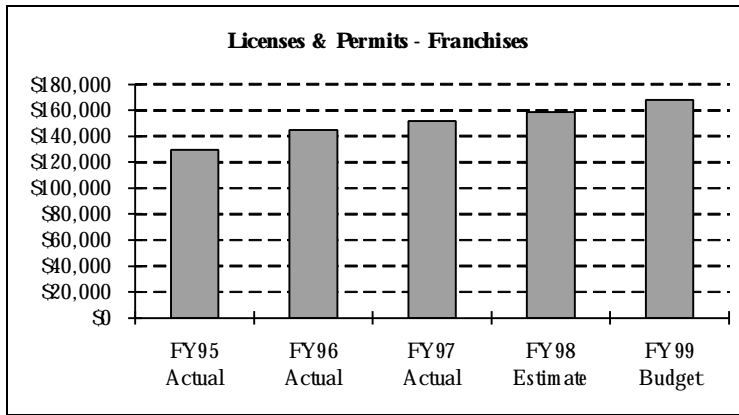


**WARNING TREND:**

Decline in property tax revenues (constant dollars)

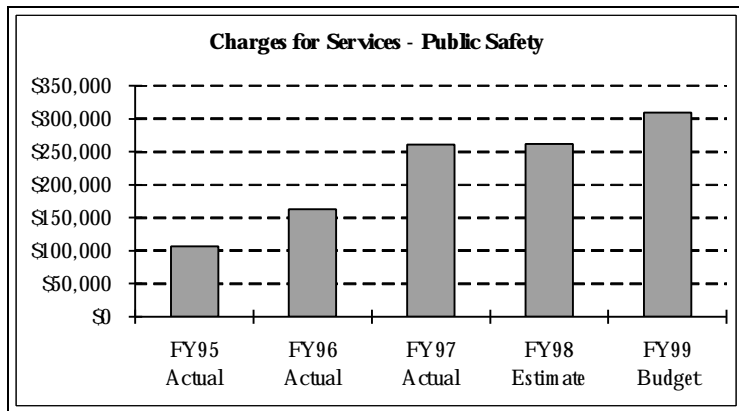
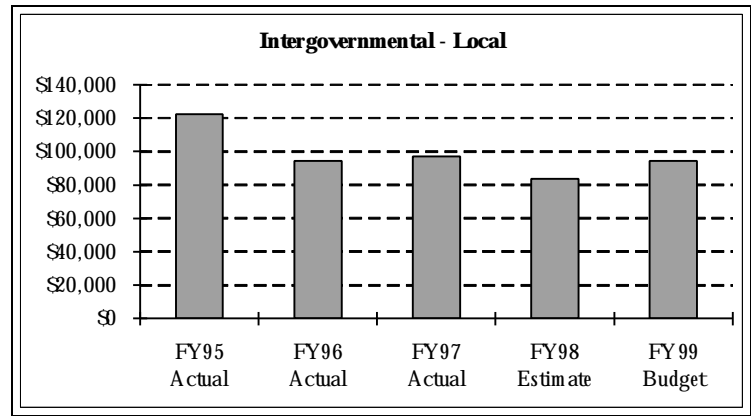
## OTHER REVENUE TRENDS

Following are graphs depicting major revenue sources that are based on historical trends. Each graph has a brief description of that particular revenue source along with an analysis of the trends.



These revenues are based on gross revenues within the City limits of the cable television company. As revenue base for the cable company increases, so does the revenue received by the City.

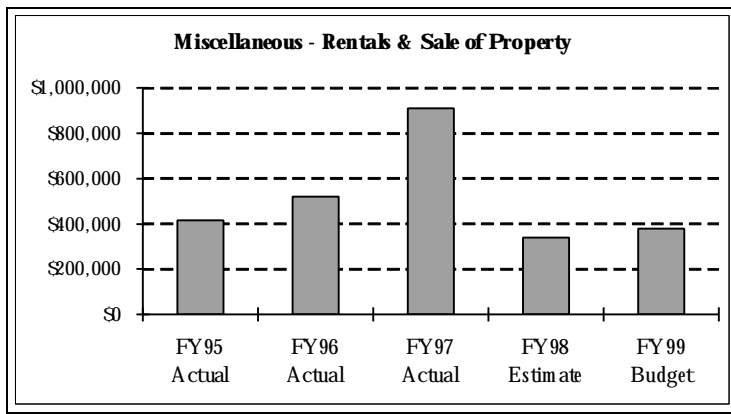
These revenues are from the Salisbury Housing Authority. Part of the revenue is payment in lieu of taxes as partial compensation for the property tax for which the agency is exempt. The Housing Authority also reimburses the City for the personnel costs for police officers working within the Housing Authority. In FY1994-95 (FY95), the Housing Authority had four officers. But due to cutbacks in the grant receipts, the Housing Authority had to decrease the level of staffing to two officers for the last six months of FY1995-96 (FY96).



Charges for services - public safety are revenues derived from police and fire protection, and charges for radios and pagers to public agencies within the area. Throughout the fiscal years, charges for radios have been steadily increasing, to approximately \$143,000 in FY1998-99 (FY99). In FY1995-96 (FY96), the City implemented a fee for permits and inspections by the Fire Department. Beginning in FY1996-97 (FY97), the Rowan-Salisbury School System started paying for one-half the cost of a third School Resource Officer as they

have for the previous officers hired.

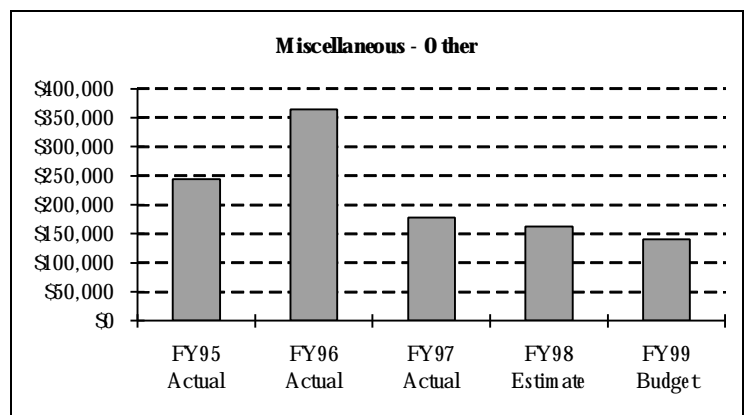




For FY1998-99 (FY99), this revenue category is evenly split between rentals and sales of property. Throughout the past several years, sales relating to the cemeteries have continued to grow as fees have been increased. Rental revenue, both residential and commercial, from the Plaza continues to increase while the occupancy rate remains in excess of 95%. Other revenue sources for this category include sale of assets, sale of materials, sign revenue, and rental of Hurley Park. The large increase in FY1996-97 (FY97) was from the sale of

property.

This revenue is subject to much fluctuation due to General Fund donations and miscellaneous revenue. In FY1994-95 (FY95), the City received \$95,900 as a match for a grant. In FY1995-96 (FY96), the City received \$100,000 as a donation for the Greenway and another \$100,000 from Norfolk Southern Railroad for closing crossings.



[Click here to move to the next section](#)